

Message Text

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ACTION SS-25

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C O N F I D E N T I A L CAIRO 1956

EXDIS

FOR UNDERSECRETARY HABIB FROM AMBASSADOR

EO 11652: GDS
TAGS: EAID, EG, US
SUBJ: ECONOMIC ASSISTANCE TO EGYPT

REF STATE 22525,

SUMMARY: INFORMED FAHMY THIS MORNING OF PROPOSED \$500 MILLION PACKAGE AND ITS COMPOSITION. STRESSED PACKAGE IS AN EFFORT ON THE PART OF THE NEW ADMINISTRATION TO BE REPSONSIVE TO PRES SADAT'S IMMEDIATE NEEDS. WE ALSO URGENTLY EXAMINING POSSIBILITY OF ADDITIONAL PL480 HELP. AFTER OUTLING STATE OF PLAY OF OUR CONGRESSIONAL CONSULTATIONS, I INDICATED WE HOPED BE ABLE TO PROCEED IN WEEK'S TIME OR SOONER. PREMATURE PUBLICITY REGRETTABLE, BUT GOE WOULD UNDERSTAAND SITUATION. I ADDED WE HOPE PROVIDE PACKAGE IN CONTEXT OF OUR EXPECATATION THAT GOE WILL CONTINUE TO MOVE FORWARD ON POLITICALLY FEASIBLE ECONOMIC REFORM MEASURES. FAHMY ASKED THAT I DICTATE INFO TO HIS CHEF DE CABINET FOR SUBMISSION TO THE PRESIDENT. HE WAS GENERALLY PLEASED WITH OUR RESPONSIVENESS. FAHMY UNDERSTANDS THAT ANY SHIFT FROM PROJECT AID TO CIP IS NOT A PRECEDENT AND PERSONALLY FAVORS MORE EMPHASIS ON DEVELOPMENT PROJECTS. WE AGREED THAT NO OFFICIAL ANNOUNCEMENT BE MADE UNTIL CONGRESSIONAL CONSULTATIONS ARE COMPLETED. END SUMMARY
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1. APPRECIATE INFO CONTAINED REFTEL. SINCE REFTEL RECEIVED 0200 LOCAL THIS MORNING, I DID NOT FEEL WAKENING FAHMY AT THIS HOUR WAS WARRANTED DESPITE THE PRESS LEAK. INSTEAD, I MET WITH HIM THIS MORNING AND TOLD HIM ABOUT THE MIDDLE-OF-THE-NIGHT MESSAGE AND THE DEPT'S DESIRE TO HAVE INFORMED HIM BEFORE THE PRESS BROKE THE STORY. I WAS SORRY THAT WE HAD NOT BEEN

ABLE TO DO SO, BUT WANTED HIM TO KNOW THAT FOLLOWING HIS REQUEST, USG HAS URGENTLY LOOKED AT WHAT MIGHT BE DONE TO BE RESPONSIVE IN TERMS OF ECONOMIC ASSISTANCE TO HELP PRES SADAT IN CURRENT SITUATION.

2. I THEN TOLD HIM ABOUT \$500 MILLION PACKAGE AND ITS COM-POSITION. AS HE WOULD APPRECIATE, IT WAS SIMPLY NOT FEASIBLE TO COME UP WITH ADDITIONAL FUNDS ON SHORT NOTICE. I THOUGHT HE WOULD AGREE, HOWEVER, THAT HIS IMMEDIATE CONCERN WAS ADEQUATELY MET BY THE PACKAGE WE ARE PROPOSING. IT WILL ALLOW PURCHASE OF NEEDED FOODSTUFFS AND RAW MATERIALS. I ALSO TOLD HIM WE ARE URGENTLY EXAMINING POSSIBILITY OF ADDITIONAL PL 480 HELP.

3. I WENT ONTO SAY THAT, ALTHOUGH THERE IS NORMAL FIFTEEN DAY WAITING PERIOD IN WHICH CONGRESS MUST BE NOTIFIED OF ANY INCREASE IN CIP, WE ARE SEEKING TO SHORTEN PERIOD THROUGH DIRECT CONTACTS WITH KEY CONGRESSMEN IN HOPE OF BEING ABLE AUTHORIZE PUBLIC ANNOUNCEMENT WITHIN ONE WEEK. NOTIFICATIONS HAVE ALREADY BEEN SENT TO APPROPRIATE COMMITTEE CHAIRMEN AND HOUSE APPROPRIATIONS SUB-COMMITTEE HAS CALLED HEARING FOR TODAY. I EMPHASIZED TO FAHMY THAT THE NEW ADMINISTRATION AT THE HIGHEST LEVEL STRONGLY SUPPORTS EFFORT TO BE RESPONSIVE TO EGYPT'S IMMEDIATE REQUIREMENTS AND THAT WE HOPE TO BE ABLE TO PROCEED AS SOON AS CONGRESSIONAL NOTIFICATION PERIOD HAS EXPIRED IF NOT SOONER. WHILE WE REGRET PREMATURE PUBLICITY BEFORE WE COULD NOTIFY OUR EGYPTIAN FRIENDS, I WAS SURE FAHMY WOULD UNDERSTAND IMPORTANCE OF DOING EVERYTHING POSSIBLE TO ENSURE A FAVORABLE ATMOSPHERE. I SAID WE WANT TO HOLD OFF ANY OFFICIAL PUBLIC ANNOUNCEMENT OF APPROVAL UNTIL CONGRESSIONAL CONSULTATIONS

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COMPLETED AND EMPHASIZED TO HIM THE IMPORTANCE OF GOE DOING THE SAME.

4. IN GIVING FAHMY THE ABOVE, I MADE IT CLEAR THAT THIS SHIFT TO A GREATER CIP COMPONENT SHOULD NOT BE CONSIDERED AS A PRECEDENT. IT IS SOLELY INTENDED TO MEET THE IMMEDIATE PROBLEM GOE IS ENCOUNTERING. WE WERE DOING THIS BECAUSE WE APPLAUD THE ECONOMIC REFORM MEASURES THAT GOE IS ATTEMPTING. WE CONTINUE TO BELIEVE THAT GOE SHOULD MOVE IN THE DIRECTION OF ECONOMIC REFORM, BUT RECOGNIZE THE POLITICAL PROBLEMS THAT OVERLY RAPID MOVEMENT POSE. WE RECOGNIZE, TOO, THAT FURTHER EFFORT ON ECONOMIC REFORM MAY HAVE TO BE SOMEWHAT MORE GRADUALIST THAN HAD INITIALLY BEEN HOPED, BUT ARE ENCOURAGED BY THE CONTINUED STRONG STAND THAT THE GOVT IS TAKING IN IMPRESSING UPON THE PEOPLE'S ASSEMBLY AND OTHERS THE NEED FOR ECONOMIC REFORM. OUR SUPPORT IS PROVIDED IN THE EXPECTATION THAT GOE WILL CONTINUE TO CARRY ON ECONOMIC REFORM MEASURES THAT ARE CONSIDERED POLITICALLY FEASIBLE BY THE EGYPTIAN LEADERSHIP.

5. FAHMY LISTENDED CAREFULLY AND THEN ASKED THAT I DICTATE THE DETAILS TO HIS CHEF D'CABINET SO THAT THESE MIGHT BE SENT TO THE PRESIDENT. HE HAD BEFORE HIM AN ARABIC TRANSLATION OF PERTINENT PRESS STATEMENTS MADE IN WASHINGTON YESTERDAY, BUT AGREED THAT IT WAS NOT A MATTER WHICH WARRENTED WAKENING HIM IN THE MIDDLE OF THE NIGHT. HE WAS GENERALLY PLEASED AT OUR RESPONSIVENESS AND ASKED HIS CHEF D'CABINET TO EMPHASIZE IN THE REPORT TO PRES SADAT THE ENERGETIC EFFORTS OF THE NEW ADMINISTRATION TO BE RESPONSIVE TO EGYPT'S IMMEDIATE NEEDS. NOTING GHORBAL HAD REPORTED \$60 MILLION ADDITIONAL PL480 WAS A DECISION BY PRES FORD (CAIRO 1258), FAHMY ASKED IF THERE WAS ANY NEW MONEY INVOLVED THAT COULD BE DIRECTLY ATTRIBUTED TO PRES CARTER. I POINTED OUT TIME IS TOO SHORT TO GO THROUGH CONGRESSIONAL APPROPRIATION PROCESS FOR ADDITIONAL MONIES, BUT EXMPHASIZED ENTIRE PACKAGE ABOUT WHICH I HAD TOLD HIM IS ON THE DIRECTION OF PRES CARTER AND CONGRESSIONAL CONFIDENTIAL

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CONSULTATIONS NOW UNDERWAY ARE BEING UNDERTAKEN ON WHITE HOUSE INSTRUCTIONS. THIS SEEMED TO SATISFY FAHMY.

6. ALTHOUGH FAHMY HAS REGULARLY FAVORED USING AS MUCH OF OUR ASSISTANCE AS POSSIBLE FOR ENDURING PROJECTS, HE AGREED THAT EGYPT'S IMMEDIATE NEEDS DICTATE SHIFTING SOME PROJECT MONEY TO CIP. NEXT YEAR WE SHOULD AGAIN BE ABLE TO ALLOCATE LARGER AMOUNTS TO PROJECT AID.

7. IN ORDER TO AVOID LEAKS, FAHMY ASKED THAT WE NOT CONTACT ANY OF HIS MINISTERIAL COLLEAGUES UNTIL WE ARE ABLE TO INFORM GOE THAT CONGRESSIONAL CONSULTATIONS ARE COMPLETED AND APPROPRIATE ANNOUNCEMENTS CAN BE MADE.

8. WE WILL SUBMIT BY SEPTTEL SOME MISSION OBSERVATIONS ON THE PACKAGE AND HOW IT MIGHT BEST BE HANDLED HERE. IHAVE ALSO ASKED AID DIR TAKE UP WITH APPROPRIATE GOE ECONOMIC MINISTERS NEED TO ACCELERATE UTILIZATION RATE OF THEIR CIP ALLOCATIONS. EILTS

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